

New year tea leaves: What's in store?

There are lots of guesses about what's in store for banking, business, and everybody. Lots of entities have already posted their predictions for 2013 and beyond. Some are-excuse the phrase-predictable, while others are way out there. It's likely more such lists will emerge soon. Here's a roundup of some:

Aite and mobile trends

"Aite Group anticipates that mobile banking users in the United States will triple between 2012 and 2016," says Ron Shevlin, senior analyst with Aite Group. "Tablets will become financial management devices, and smartphones will become financial transaction devices. Financial institutions should invest accordingly."

The number of U.S. consumers using mobile devices to conduct financial transactions and activities has grown significantly. Aite Group estimates that nearly 7,000 financial institutions in the United States currently offer mobile banking to their retail banking customers. Moreover, more financial institutions will continue to deploy mobile banking solutions in the years ahead as consumer demand becomes increasingly evident.

Among smartphone owners, 36% use the device to check their bank account balances, nearly three in 10 get account alerts sent to the device, and roughly one in six use it to transfer funds, pay bills, and view their monthly bill statements. Meanwhile, one in four tablet owners use the device to check account balances and about one in seven get alerts, transfer funds, or pay bills with the device.

Celent and banking trends in general.

"Celent believes that the integration of mobile payments and merchant fund rewards will drive step changes in the payments landscape," says Zil Bareisis, senior analyst with Celent's Banking Group. "The combination of payment data, location awareness, and immediacy will be more than enough to put mobile offers over the top."

"There has been a real paucity of core banking migrations in the United States and Canada over the past 15 or 20 years," adds Bart Narter, senior vice president of Celent's Banking Group. "The pickup in activity in the last year or so has been dramatic."

Specific trends:

• Offers, offers, everywhere. Consumers, particularly in the developed countries, have never been short of merchant offers.

• Core banking in North America. BBVA Compass has moved deposits to Alnova. Santander is moving their wholly owned Sovereign Bank to their Parthenon core. RBC is moving customer information to SAP. Zions Bank is looking to move off of TriSyn Infopoint. Here are four sizable banks doing core projects moving to core systems that were developed outside of the United States and run real time.

• Bank data not Big Data. Big Data is on the lips of most technology vendors. Banks have a lot of data and get to listen to many Big Data pitches. Celent does not yet believe that this is appropriate for most banks. Before banks try to tackle unstructured data they don't own, why not use the structured data they do own?

• Living on Cloud 9. According to many vendors everything running in a data center not owned by the bank, and sometimes running inside the bank (private cloud) is cloud. What ISN'T cloud? The definition of cloud is now so nebulous as to be meaningless.

• The convergence of online and mobile banking. The digital world is moving at light speed, and as banks bolt on additional channel capabilities (e.g., mobile), it is becoming very difficult to manage. Financial institutions and the software vendors that serve them need to come up with a more holistic approach. An ideal scenario would be for the bank to be able to house all of its electronic banking components in a single place.

• One solution to rule them all? Convergence goes well beyond online and mobile banking. Financial institutions, particularly smaller ones, are gravitating toward single solutions. There's one very solid factor driving this interest-cost.

• Mobile RDC mainstreaming. Although nascent, consumer remote deposit capture, using both desktop scanning and mobile approaches, is growing rapidly.

• Social media. Social media is so hot these days! Most financial institutions, however, while "active" in social media in some way, lack a clear strategy and objectives for social. Still nascent in financial services, social media will be a hotbed of change and activity over the next several years.

• Branch banking becomes an alternative channel. Self-service is nothing new, but its impact is being increasingly felt in the retail branch. Historically, self-service channels did more to create incremental transaction activity than they did to reduce branch transactions. More recently, however, self-service has taken a bite out of branch foot traffic. Why the change all of a sudden? It's those pesky checks.

• A tipping point in branch transformation. For years, "branch of the future" was more about talk than action. While substantive branch transformation remains a rarity in North America, there appears to be a growing consensus that the status quo is unsustainable.

• Perfect storm for workforce optimization solution adoption. Despite the growing activity in "alternative" distribution channels, Celent contends that the branch will remain a relevant and strategically important channel for the foreseeable future. However, the evolving regulatory, economic, social, and technological environment has created an imperative for branch transformation.

• A teller capture renaissance. In the past few years, distributed capture has moved from being an item processing phenomenon to being in the mainstream of retail banking, taking a prominent spot in both branch and ATM channels.

IDC and trends in general as well:

"How well organizations managed the four key technology disruptors of big data/analytics, mobility, cloud computing and social, will dictate how much long term success the organization will have," says David Potterton, vice president of global research, IDC Financial Insights.

IDC's top 10 Predictions are:

• Prediction 1. The nascent community-based clouds in the financial services industry will become the preferred cloud model in cost-conscious markets by striking the balance between lower operating costs and adequate service levels.

• Prediction 2. Banks will abandon social media as a customer service channel and focus on targeted marketing campaigns instead.

• Prediction 3. Competition between rival mobile wallets and point-of-sale integration technologies will result in a price war as competitors seek to gain market share and mindshare.

• Prediction 4. As spending on Big Data and analytic solutions tops \$6 Billion worldwide, operational efficiency ratios will begin to show signs of improvement.

• Prediction 5. Risk officers and CIOs will see capital spending and operational expense associated with risk and compliance on the continued material increase, topping \$74 billion worldwide.

• Prediction 6. Regulation will reduce financial services profitability by a third by 2015 unless institutions implement enterprise data management strategies.

• Prediction 7. Global universal banks will continue to struggle to deliver the value of their complete franchises.

• Prediction 8. New formats will breathe new life to branch strategies, while investments in new channels will intensify.

• Prediction 9. Rising M&A activity in the financial services industry will drive the demand for more effective systems integration and interoperability.

• Prediction 10. Financial institutions will get serious about updating legacy systems.

Gartner and payment trends:

By 2015, 33 percent of consumer brands will integrate payment into their branded mobile apps, according to Gartner, Inc. In the next three years, this trend will unfold so that brands can sell directly and enhance the customer experience. This trend will be more pronounced for brands with retail outlets, such as those in the fashion, food and drink, grocery and entertainment sectors.

"Many consumer brands have launched branded apps that focus on marketing activities such as offering product information, checking loyalty points, and collecting coupons and offers. A few early adopters have integrated payment functions into their apps. Brands need to help consumers make purchasing decisions in an efficient and personalized

way," says Sandy Shen, research director at Gartner. "Branded apps should be good shopping apps in the first place, and payment is only the final step before making the sale. To achieve this, they will use a combination of mobile apps, text messages, and web browsers to engage customers and increase sales. In developed markets, apps will lead the way, whereas in emerging markets text messages are likely to dominate initially."

Consumers might prefer to use an aggregator app—a single app from which they can access multiple brands. Such apps can be online marketplace apps or specialist apps dealing with location information, promotional offers and travel. Branded companies' apps will have to compete with these aggregator apps in terms of richness of offering and user experience. Only those that deliver compelling value and user experience will last.

Key predictions for consumer apps in 2013 and beyond include:

- By 2016, more than half of consumers will use digital cloud services as their primary form of storage for digital content.

- By 2016, most pay-TV operators in developed markets will have launched "pay-TV as an app" on smart TVs.

IBM and really, really far out trends:

This year's top five predictions explores innovations that will be the underpinnings of the next era of computing, which IBM describes as the era of cognitive systems. This new generation of machines will learn, adapt, sense, and begin to experience the world as it really is. This year's predictions focus on one element of the new era, the ability of computers to mimic the human senses—in their own way, to see, smell, touch, taste, and hear.

These sensing capabilities will help us become more aware, productive, and help us think—but not think for us. Cognitive computing systems will help us see through complexity, keep up with the speed of information, make more informed decisions, improve our health and standard of living, enrich our lives, and break down all kinds of barriers—including geographic distance, language, cost, and inaccessibility.

"IBM scientists around the world are collaborating on advances that will help computers make sense of the world around them," says Bernie Meyerson, IBM fellow and vice president of Innovation. "Just as the human brain relies on interacting with the world using multiple senses, by bringing combinations of these breakthroughs together, cognitive systems will bring even greater value and insights, helping us solve some of the most complicated challenges."

Editor's note: Let's just hope HAL obeys when we tell it to open the pod bay door.

For the rest-food for thought. Happy new year.

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Sources used in this article include:

Mobile Banking Forecast: Smartphone and Tablet Use in the United States

Top Trends in Retail Banking 2013

Gartner Predicts By 2015, One-Third of Consumer Brands Will Integrate Payment Into Their Branded Mobile Apps

IBM Reveals Five Innovations That Will Change Our Lives within Five Years

IDC Financial Insights Releases Top 10 Predictions for 2013

About the Author

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